

**Fourth Quarter Report to U.S. Agency for International Development
National Policy Association
July 1st -- September 30th 2000
Working Group on Best Business Practices in Cuba
Grant No. LAG-G-00-00-00002-00**

The fourth quarter of the USAID grant to promote worker rights in Cuba was one of accelerating activity. In addition to completing contact with over 120 corporations investing in Cuba, NPA participated in a number of conferences, prepared for several project publications and completed a grant proposal for a second phase of the current grant to build on work already done, to deepen contacts already achieved, and to further develop our relations with foreign investors and other interested parties.

No-Cost Extension

Due to careful management of the existing grant, higher in-kind support and lower than anticipated expenses on the international conference, NPA had not spent all of the funds allocated by September 30, 2000, the end date of the grant. NPA spent approximately \$165,000 of the \$225,000 grant by the end of September. Because NPA wanted to make full use of the funds dedicated to the promotion of worker rights in Cuba, NPA requested and received a no-cost extension from USAID for a period of four months.

Foreign Investors

During the fourth quarter, NPA sent out over 150 letters to current or potential foreign investors in Cuba to familiarize them with the NPA Cuba project and to solicit their support for the "Principles for Private Sector Investment in Cuba." In response, NPA has received several letters from companies that assert that their corporate policies are in line with the Working Group Principles.

Publications

Cuba Project Director, Kaylin Bailey, and NPA President and CEO, Anthony C.E. Quinton, co-authored the article "Cuba: Business Practices for Foreign Investors," which appeared in the Summer 2000 issue of *Panorama Americano: Global Contemporary Issues*. *Panorama Americano* has a circulation of more than 400 throughout the United States, Europe and Latin America. Though the circulation is relatively small, the publishers have told NPA that a number of Latin American unions have begun to reprint these articles or post them to websites, particularly in Argentina.

The Project Director also spent a great deal of time during the fourth quarter compiling articles for the Winter issue of *Looking Ahead*, NPA's quarterly journal. This issue will include several

of the presentations from the June 16th project conference in Mexico City and will be a valuable resource for companies, unions, academia and individuals on NPA's extensive mailing lists.

Public Relations

On August 4, NPA President and CEO, Anthony C.E. Quainton, spoke at the annual conference of the Association for the Study of the Cuban Economy (ASCE) in early August 2000 in Miami. This was a valuable opportunity to spread the word about NPA's Cuba program, and his presentation will be published in ASCE's compendium of presentations.

In formulating plans for a second grant to promote worker rights in Cuba, the Project Director spoke with a number of Congressional offices that had expressed concern about this program two years ago. In discussions with Sean Carroll (office of Robert Menéndez) and Roger Noriega (Senate Foreign Relations Committee), NPA has secured their encouragement for extending the project activities into a second year.

The NPA Working Group applied for visas from the Cuban Interests Section in August. Our requests, despite numerous attempts to follow up with the Interests Section, were ignored.

Cuba Today

The Project Director gathered and edited materials for the second issue of *Cuba Today*, which is attached to this report. NPA plans to produce an additional issue of *Cuba Today* in December/October with the allowance in the no-cost extension.

Website

NPA has registered the domain name www.cubabusinesspractices.org for a two-year period in order to improve the project website and to separate it from the NPA website. Work on this new website, as described in NPA's project proposal, will commence immediately on approval of a follow-up grant.

Upcoming Events

NPA is planning a third Cuba Working Group meeting, to take place in Washington, DC on Thursday, November 16, 2000 from 10:00 am to 2:00 pm. Agenda items include a presentation from George Plínio Montalván (co-author of the Arcos Principles), re-evaluation of first year progress, and planning for a potential second grant, including a second international conference on best business practices and worker rights in Cuba.

CUBA TODAY

Best Business Practices and Labor Rights

Fall 2000

Vol. I, No. 2

U.S. Business Reentry into Cuba and Worker Rights

by Robert Weekley

President, American Chamber of Commerce of Cuba in the United States

Commercial relations between Cuba and the United States have been on a long, torturous detour, despite the hopes of reconciliation by many on both sides of the narrow waters that divide the two countries. This more than 40-year estrangement is one of the most enduring, unyielding, and antagonistic relationships that the United States has had with another nation in the past century. During the height of the Cold War, America maintained commercial and diplomatic relations with most members of the Communist Bloc—but not with Cuba. Indeed, after the Cold War, the United States tightened its embargo on Cuba with passage of new, more restrictive legislation in 1992 and 1996. Even the reestablishment of U.S. relations with commu-

nist Vietnam has not inspired the United States and Cuba to find a way to break their impasse.

Before Fidel Castro's revolution and the ensuing U.S. embargo, the geographic proximity and cultural affinity between the two countries had engendered a close economic and cultural relationship. Cuba was a favored place for Americans to vacation, invest, and do business. Likewise, Cubans came to the United States to travel, study, and work.

Hints that the impasse is beginning to yield are in the air. Regardless of the path that change will take, the long detour will end, and the United States will reenter a two-way road of engagement with Cuba. It is only a matter of time.

REENTRY ISSUES

Resumption of commercial ties will bring many issues, old and new. The U.S. experience with reentry into other previously embargoed countries has shown that there will be a period of growing pains, especially in gaining an understanding of the current social, legal, and business systems. Not least among these concerns will be the impact of U.S. business on the

Cubans they employ. When Cuba is open to the United States for business, as it now is to businesses from other countries, Americans may find themselves dealing with a still largely controlled socialist economic system dominated by centralized state planning. Working in a possibly noncapitalist, or transitional, environment will be a challenge for U.S. companies. Lessons learned from working in other socialist countries will not always apply.

By the very act of entering the Cuban economy and employing Cuban workers, American employers will provide a net benefit for Cuba—putting people to work—that will also showcase the benefits of modern U.S. management and technology. But to the extent that U.S. businesses acquiesce in, or support, an exploitative system of employee relations, they are in danger of perpetuating an unacceptable status quo.

It is not new for U.S. businesses to operate in socialist economies dominated by state planning. Nor is it new for American firms to operate in emerging nations where corruption and exploitation often abound. The situation eventually encountered in

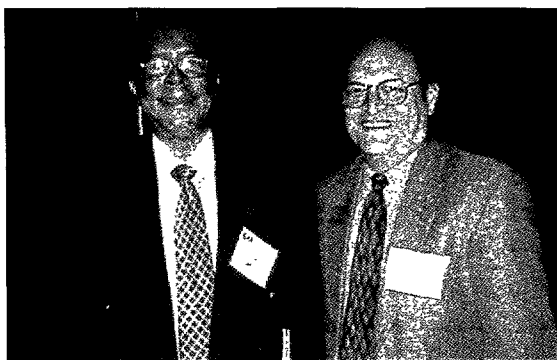
INSIDE . . .

Cuban Sweat for Sale by Guillermo Cueto	3
Business Guide to Cuba	4
Doing Business in Cuba the Right Way	4
Members of the Cuba Working Group	4

(Weekly continued)

Cuba may be a combination of the two. Those risks will be compounded by the fact that before the revolution U.S. companies had a mixed record in Cuba.

Reentry into Cuba will provide the opportunity for businesses to be alert to ways to improve the labor scene. This can be done by persistent, continued interaction with the Cuban government and by support of worker rights despite a possibly hostile official environment. While Americans do not make the laws or dictate the customs of countries where they are the guests, they can support universal principles of worker rights.



(L to R) Pedro Pérez Castro, Secretary of International Relations, Solidarity of Cuban Workers, was a speaker at NPA's Cuba conference in June 2000. and Oscar Sánchez, Executive Director, Labor Council for Latin American Advancement, was an attendee.

AMCHAM CUBA— ALIVE AND WELL

The American Chamber of Commerce of Cuba in the United States (AmCham Cuba) expects to engage its membership base in playing a key role in the coming transition. Like the other American Chambers of Commerce in nations worldwide, AmCham Cuba is a clearinghouse for U.S. business networking, providing

information and facilitating communication with government organizations on both sides. AmCham Cuba is a conduit to resolve issues, to convey problems, and to bring the parties together that need to interact in resolving problems. The days are past when an American Chamber of Commerce abroad can be thought of as existing to promote U.S. business, regardless of the situation or consequences.

People are often surprised to find out that there is an American Chamber of Commerce of Cuba in the United States after so many years of disrupted commercial relations. Businessmen who led the American Chamber in Havana prior to 1959 left a hostile climate and incorporated the Chamber as a nonprofit organization in Florida in 1960. AmCham Cuba continues to be a contact center for U.S. businesses and individuals with an interest in Cuba.

AmCham Cuba is helping American companies position themselves for the resumption of trade and investment on the island. Its efforts are directed mainly toward providing information and serving as a contact point for U.S. firms who want to "hit the ground running" when they begin doing business in Cuba.

AmCham Cuba holds regular meetings in Washington and Miami and publishes a newsletter that provides accurate, concise, and objective information on Cuba. AmCham Cuba advocates a policy that would allow U.S. firms to pursue commercial opportunities in Cuba while seeking to follow sound business principles consistent with U.S. interests, when conditions permit.

PROMOTING PRINCIPLES OF BUSINESS RESPONSIBILITY

Along with other groups such as the AFL-CIO and the U.S. Chamber of Commerce, AmCham Cuba is an active participant in the National Policy Association's Cuba Working Group. This group is an international collaboration of business and labor leaders, human rights groups, and others who are developing a strategy for fostering democracy and human and labor rights in Cuba. AmCham Cuba has publicized to its members the work of this group and the "Principles for Private Sector Investment in Cuba" that the Working Group has formulated. AmCham Cuba also has provided information about the internationally promoted "Sullivan Principles of Corporate Social Responsibility" to its corporate members. An impressive number of U.S. and international corporations already support the Sullivan Principles, including General Motors, Chevron, Shell International, Procter and Gamble, and Pfizer.

U.S. business reentry into Cuba obviously will bring multiple challenges, including the issue of fostering better rights and standards for Cuban workers. AmCham Cuba does not see this as cause for any intrusive government regulation of U.S. business operating abroad. American firms are experienced in assessing and dealing with threats to ethical and internationally recognized business practices. They are today's global leaders in promoting labor rights and standards that go far beyond the protections afforded to workers by the host country.

Cuban Sweat for Sale

by **Guillermo Cueto**

Regional Director, U.S.-Cuba Business Council

A fundamental objective of any for-profit corporation such as a foreign investor is to be as profitable as possible in its business endeavors. In Cuba, however, no business enterprise, foreign or domestic, can achieve the expected rate of return on its investment or projected revenues for a number of reasons.

THE BOTTOM LINE FOR FOREIGN INVESTORS

All business enterprises belong to the Cuban government, including joint ventures that are made up of a foreign investor and the government. The government regulates the salary of each worker, who is paid in Cuban pesos, even though foreign investors pay the government in U.S. dollars. The average worker employed by a joint venture earns between 3-15 pesos per day or about 100-450 pesos per month. This salary is equivalent to US\$0.15-\$0.75 per day or about \$4.50 to \$22.50 per month. A worker earning a monthly salary of 100-450 pesos can afford to buy for the family the following groceries (per month): 6 pounds of rice; 2 pounds of dried beans; 5 pounds of sugar; 2 pounds of salt; 2 pounds of fish; 2 pounds of ground beef; 2 pounds of coffee; 6 pounds of fresh vegetables; and 10 eggs. This is the equivalent of the family's total monthly purchasing power. Finally, there is only one labor union, and it is totally controlled by the Cuban Communist Party.

Workers thus have little incentive

to perform their jobs. Production invariably falls short of projections, and company revenues are considerably lower than expected. The low salaries and the scarcity of food throughout Cuba compel workers to steal from the workplace, including food from foreign hotels and restaurants. Workers barter the stolen items on the black market for food to feed their families.

Cuban workers feel exploited and resent the unjust and inhumane control of the Cuban government over their lives. They blame the deplorable contractual agreements structured by the Cuban government—with the “complicity” of foreign investors—for their ignominious existence. But because of the highly repressive nature of the Cuban security force, workers do not protest the government's human rights violations; rebellion would mean immediate imprisonment. There are, however, sporadic acts of violence against the property of foreign companies, acts that demonstrate the Cuban labor force's growing rejection of foreign enterprises.

The Cuban workforce is therefore deprived of morale, motivation, dignity, and pride. The bottom line for foreign investors is poor performance, curtailed productivity, and low revenues.

FAIRER CONTRACTS

For financial and commercial reasons alone, it would be to the advantage of the foreign investor to negoti-

ate tight contracts with the Cuban government that would compensate workers fairly. Perhaps through coordinated efforts of a group of investors, foreign firms could adopt a series of minimum standards when structuring and negotiating their joint ventures with the government that would not only improve the lives of Cuban workers, but also the companies' financial health. Such a contract would establish good relations and solidarity between foreign employers and Cuban employees. It would also acknowledge and support the right of every Cuban to create or join independent labor unions that represent the worker's best interests. Ultimately, these kinds of contracts would help to strengthen Cuba's civil society, enabling the Cuban people to implement a transition to a free, democratic system, with ensuing widespread progress and sustained economic development and well-being for the entire Cuban nation.

The Universal Declaration of Human Rights, adopted by the United Nations in 1948, proclaims that “all human beings are born free and equal in dignity and rights” and that “they are endowed with reason and conscience and should act toward one another in a spirit of brotherhood.” Every individual and group in society—including Cuban society—should be able to enjoy these rights and freedoms and to promote respect for them to ensure their universal recognition and observance.

Business Guide to Cuba

Business Guide to Cuba has more than 300 pages of commercial intelligence on key industries and politics. It is published by CubaNews, the authoritative source of business information on Cuba. Sections on e-commerce, biotech, real estate, tourism, mining, oil, gas, and electricity provide insight into Cuba's emerging sectors. Additional chapters focus on other industries, including manufacturing, agriculture, housing, and sugar. Extensive information on Cuba's leadership, politics, infrastructure, labor, and legal framework round out this complete overview. Filled with new statistics and exclusive maps, *Business Guide to Cuba* offers in-depth information on more than 99 percent of the Cuban economy.

Available at a special price of \$399 for NPA members—a savings of more than 15 percent over the original price. To order, call (202) 543-5076 or fax (202) 546-8929.

See www.cubanews.com for more information, sample chapters, and table of contents.

Doing Business in Cuba the Right Way

On June 16, 2000, NPA held a conference in Mexico City on "Worker Rights and Best Business Practices in Cuba." Speaking at the conclusion of the conference, Pedro Pérez Castro, Secretary of International Relations of the labor group Solidarity of Cuban Workers, told the audience: "This conference has helped to open a new path in promoting internationally recognized labor standards. I have met people of good will who toil to be successful in their businesses and who also hope to put into practice the ethics that protest worker exploitation and abuse. My brothers and sisters in Cuba now know this, and they wait."

Members of the Cuba Working Group

AFL-CIO Solidarity Center
American Chamber of Commerce of Cuba in the United States (AmCham Cuba)
Consejo Mexicano de Comercio Exterior (COMCE)
The Conference Board of Canada
Florida International University
Instituto Tecnológico Autónomo de México (ITAM)
National Policy Association
Pax Christi Netherlands
Prince of Wales Business Leaders Forum
United Food and Commercial Workers International Union (UFCW)
U.S. Chamber of Commerce
U.S. Cuba Business Council
VNO-NCW (Confederation of Netherlands Industry and Employers)

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